

M A R C H 3 1 , 2 0 1 0

Beyond the Trading Desk



Jim Thibault, Managing Partner

Say goodbye to another winter and hello to a wet, New England spring. I am excited about the better weather - hiking, running and other

outdoor activities. And don't forget, yard work is once again added to the "to do" list. For me, yard work is a nice change from the indoor projects of winter. I hope you all have an opportunity to enjoy the nice weather of early spring. I'm sure you join me in hoping this spring and summer make up for last year's drenching weather.

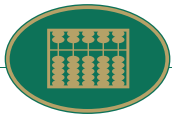
Barron Financial Group has a new full-time employee, my wife Sandra. We've been talking about and planning this for some time and in late January we felt the time was right. Sandra is our operations coordinator, which means she is in charge of all non-advisory activities. She is very organized and very efficient, and that helps me focus on what is most important...clients and investment management. We are very careful not to "bring the office" home with us and the working relationship has been great. I am convinced Sandra makes Barron Financial a stronger firm and that I once again fall into the category of "very lucky people."

Last Quarter Round-Up

The first quarter of 2010 was another good quarter for the stock market. The S&P 500 was up just under 5%. As I stated last quarter, the U.S. economy has proven very resilient. Nearly every economic indicator has shown the signs of bottoming or turning positive...a major relief compared to where we were a year ago. Housing, which I believe was the trigger for the financial crisis of 2008, has not recovered, but does show signs of setting a bottom. Some regions of the country have even seen slight price appreciation in residential housing. The financial markets are responding to the turn of these indicators with vigor. January suffered a small pull-back, but it was short lived. Inflation and interest rates remained low. The equity strategy last quarter favored value over growth and large cap over small. The fixed income strategy was to maintain cash, add to long treasuries and reduce hi-yield bond exposure. Quarterly asset class results: Growth +6.9%; Value +7.87%; Large cap +5.23%; Small cap +9.54%; Hi-yield +0.60%; Long bonds -0.43%

Global Economic Outlook

I hate to sound like a broken record, but I again have to say that my outlook for next quarter is one of cautious concern; not that I think we are going to experience another panic meltdown, but that the markets may have become overheated. As mentioned above, the economic indicators have improved. However, the majority of my research shows the improvement to be marginal. As I have said before, when the economy is a little better than horrible, it is far from good. So in my opinion, we are experiencing a very strong financial market recovery during a weak economic recovery. And that is the basis of my concern. I am staying with my sentiment that fundamentals matter and that today's market is likely overvalued. Risks are there and may be growing. My equity strategy again favors large cap over small and value over growth. For fixed income, I plan to maintain cash and long treasuries, add to short duration bonds and add a new asset class, global sovereign bonds, to selected portfolios.



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